

SENATE COMMITTEE ON BUDGET SOLUTIONS

September 13, 2002 Hearing Room 357

Time: 4:30 p.m. Tapes 3-4

MEMBERS PRESENT: Sen. Lenn Hannon, Chair
Sen. Ken Messerle, Vice-Chair
Sen. Peter Courtney
Sen. Joan Dukes
Sen. Steve Harper
Senate President Gene Derfler

STAFF PRESENT: Richard Yates, Legislative Fiscal Office
Dallas Weyland, Legislative Fiscal Office
Ken Rocco, Legislative Fiscal Officer
Patrick Brennan, Administrative Support

MEASURE/ISSUES HEARD: HB 4073-A Public Hearing and Work Session
HB 4074-B Public Hearing and Work Session
HB 5100-A Public Hearing and Work Session

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 3, A		
004	Chair Hannon	Calls the meeting to order at 5:55 p.m. Opens a public hearing on HB 4073-A.
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<u>HB 4073-A PUBLIC HEARING</u>		
008	Richard Yates	Legislative Revenue Office. Provides materials (EXHIBIT A) and a brief explanation of HB 4073-A. States that the measure raises \$400 million in revenues for the State School Fund through bonding. Describes how the bonds will be sold off and how they are to be repaid. Mentions that Treasury estimates that 77 percent of the Master Settlement revenue will be used to pay off the bonds.
044	Sen. Courtney	Asks if the corporation set up to administer the bonds will be similar to the State Accident Insurance Fund (SAIF).
050	Yates	Responds that the corporation is meant to be a public corporation, as opposed to a state agency, similar to the model used by other states for Master Settlement Agreement payment monies.
058	Chair Hannon	Asks how the bonds will be repaid if revenue decreases and the state is incapable of paying for them.
063	Yates	Explains that in such a situation the debt would belong to the corporation, rather than the state, adding that if the Master Settlement Agreement payments were stopped the bond holder will not be paid. Acknowledges that it might also take longer to pay off the bonds.

075	Sen. Courtney	Notes that the Oregon Supreme Court will determine the validity of the sections of the act in the event that of a challenge and asks whether such a challenge is anticipated.
083	Yates	Interprets the language to be designed to prevent a challenge to the system once it is already in place.
098	Kate Richardson	Oregon State Treasury. Explains that the language in the measure is modeled after similar measures in other states, and is designed to provide a swift resolution in the event of a legal challenge. Clarifies that such a challenge is not anticipated.
108	Sen. Courtney	Inquires whether such a challenge could be made on the basis of the funds being used in a way different than that for which the settlement was designed.
111	Richardson	Answers that there are no such restrictions, adding that the stipulation is meant to respond to a challenge by bondholders.
115	Sen. Courtney	Asks whether there is doubt about the constitutionality of the measure.
118	Richardson	Replies she is unsure.
122	Sen. Dukes	Notes that the measure calls for the \$400 million to be directed into the State School Fund, from which they are subsequently retrieved for use in the General Fund. Asks whether the funds are moved in such a manner because of restrictions as to how the funds are to be used.
130	Yates	Clarifies that the funds should retain their exempt status so long as the word ‘grant’ remains.
147	Sen. Courtney	Asks again what sort of legal challenge could be made against the measure.
152	Harrison Conley	Legislative Counsel Office. Explains that the language was taken from model legislation, and that the reference to the Supreme Court was included not because a particular challenge is anticipated, but because it was language borrowed from model legislation.
161	Sen. Dukes	Wonders who would have the right to take a challenge to the Supreme Court.
163	Conley	Replies that anyone with a constitutional problem with the measure could do so.
169	Sen. Dukes	Asks again whether there are any known constitutional problems with the measure.
170	Conley	Replies he is unaware of any such problems with HB 4073-A.
181	Chair Hannon	Closes the public hearing on HB 4073-A and opens a public hearing on HB 4074-B.

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HB 4074-B PUBLIC HEARING

187	Dallas Weyland	Legislative Fiscal Office. Distributes materials (EXHIBIT B) and reviews the provisions of HB 4074-B.
238	Sen. Dukes	Requests an explanation as to why safety net clinic funds are to be redistributed, to areas besides Multnomah County.

250	Rep. Greg Smith	House District 59. Explains that the measure reallocates money to rural clinics that are on the verge of closing due to lack of revenue.
267	Sen. Dukes	Notes that the measure effectively cuts funding to clinics in urban areas in order to pay for clinics in rural areas.
271	Rep. G. Smith	Clarifies that the measure ensures distribution throughout the state.
277	Sen. Dukes	Concludes that clinics receiving federal funding will have their state funding reduced or eliminated.
283	Sen. Harper	Asks whether it was the intent of the measure to provide funding for clinics that do not receive federal funding.
296	Rep. G. Smith	Reiterates that the measure will help those clinics in danger of closing to remain open.
303	Sen. Dukes	Wonders how the measure might affect clinics in urban areas that had counted on state funding they will no longer receive.
305	Rep. G. Smith	Mentions that Governor Kitzhaber has been holding that funding back.
317	John Christensen	Staff for Sen. Margaret Carter. Testifies on Sen. Carter's behalf in opposition to HB 4074-B.
325	Chair Hannon	Closes the public hearing on HB 4074-B and opens a public hearing on HB 5100-A.

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HB 5100-A PUBLIC HEARING

333	Ken Rocco	Legislative Fiscal Officer. Distributes materials (EXHIBIT C) and provides a brief explanation of the provisions of HB 5100-A. Indicates that the measure outlines disappropriations for the Fifth Special Legislative Session. Explains that the measure, in concordance with HB 4074-B and HB 4073-A, will effectively rebalance the budget.
379	Grattan Kerans	Director of Government Relations, Oregon University System. Testifies in opposition to HB 5100-A (EXHIBIT D). Describes the effect the measure would have on higher education in Oregon.

TAPE 4, A

015	Chair Hannon	Acknowledges that the measure implements additional reductions on higher education.
024	Mark Nelson	Association of Oregon Faculties, Oregon Head Start Association, Oregon Judges Association, Independent Living Centers. Testifies that many of the organizations he represents are opposed to the reductions within HB 5100-A. Mentions that Oregon Head Start Preschool would be forced to reduce the percentage of eligible children served from 50 percent to 42 percent. Asserts that Head Start is the foundation for education in Oregon and should therefore be restored and protected.
043	Bill Lippman	Oregon Judges Association. Testifies in opposition to the cuts outlined in HB 5100-A. Recalls previous cuts made during earlier special sessions, the effects of which have been

moderated somewhat due to drops in caseloads. Indicates that the Indigent Defense Fund will run out of money in April, resulting in significant effects throughout the criminal justice system.

070	Nelson	Notes that the independent living centers are also on the list of services being cut.
088	Sen. Dukes	Asks about funding shifts related to the National Marine Fisheries Service (NMFS).
090	Rocco	Replies that provision is not included in the A-engrossed version of HB 5100. Explains which items are included. Explains how spending has shifted to account for NMFS.
107	Vice-Chair Messerle	Closes the public hearing on HB 5100-A and opens a work session on HB 4074-B.

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HB 4074-B WORK SESSION

100	President Derfler	MOTION: Moves HB 4074-B to the floor with a DO PASS recommendation.
114	Sen. Dukes	Expresses opposition to the motion.
127	Sen. Courtney	Indicates he will also vote no on the motion. Says that while he has supported budget cut measures he cannot support the level of cuts in HB 5100-A.
133		VOTE: 3-2-1 AYE: 3 – Derfler, Harper, Messerle NAY: 2 - Courtney, Dukes EXCUSED: 1 – Hannon The motion CARRIES.
	Vice-Chair Messerle	
136	Vice-Chair Messerle	Closes the work session on HB 4074-B and opens a work session on HB 5100-A.

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HB 5100-A WORK SESSION

142	President Derfler	MOTION: Moves HB 5100-A to the floor with a DO PASS recommendation.
146	Rocco	Submits a budget note (EXHIBIT E) for HB 5100-A.
172	Sen. Dukes	Asks who drafted the budget note.
175	Rocco	Explains that the budget note was developed earlier in the day in concordance with several measures.
179	Sen. Dukes	Wonders why some agencies are allowed access to Emergency Board funds through the budget note while others are not. Notes that there was no opportunity for public testimony on the budget note. Expresses opposition to the budget note.
195	Vice-Chair Messerle	Notes Sen. Dukes' opposition to the insertion of the budget note.
207		VOTE: 3-2-1 AYE: 3 – Derfler, Harper, Messerle NAY: 2 - Courtney, Dukes EXCUSED: 1 – Hannon The motion CARRIES.
	Vice-Chair	

209	<p>Messerle</p> <p>Vice-Chair Messerle</p>	Closes the work session on HB 5100-A and opens a work session on HB 4073-A.
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218 Vice-Chair Messerle Declares the meeting to be in recess.

222	Vice-Chair Messerle	Reconvenes the meeting at 6:48 p.m.
224	President Derfler	MOTION: Moves HB 4073-A to the floor with a DO PASS recommendation.
227	Sen. Dukes	Asks if there are restrictions as to how the money may be used.
233	Yates	Clarifies there are no legal strings attached to the money, which currently goes into the General Fund.
239	Sen. Dukes	Asks where the money is taken from if it is redirected.
244	Rocco	Explains that the Master Settlement Payment funds are kept separate from the General Fund but are allocated in a similar manner.
259		VOTE: 3-2-1
		AYE: 3 – Derfler, Harper, Messerle
		NAY: 2 - Courtney, Dukes
		EXCUSED: 1 – Hannon
	Vice-Chair Messerle	The motion CARRIES.
270	Vice-Chair Messerle	Adjourns the meeting at 6:53 p.m.

Patrick Brennan,
Administrative Support

Marjorie Taylor,
Administrator

A – HB 4073-A, materials, staff, 16 pp.
B – HB 4074-B, materials, staff, 5 pp.
C – HB 5100-A, materials, staff, 39 pp.
D – HB 5100-A, testimony, Grattan Kerans, 1 p.
E – HB 5100-A, budget note, staff, 1 p.